



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 01-0295425**

**THE APPLICATION OF CARRIZO (EAGLE FORD) LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR VARIOUS TANK BATTERIES, EAGLEVILLE (EAGLE FORD-1) FIELD, HAWKVILLE (EAGLEFORD SHALE) FIELD, AND INDIO TANKS (PEARSALL) FIELD, LA SALLE, ATASCOSA, FRIO AND MCMULLEN COUNTIES, TEXAS**

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**HEARD BY:** Brian Fancher, P.G. – Technical Examiner  
Cecile Hanna – Legal Examiner  
Gene Montes – Legal Examiner

**REVIEWED BY:** Terry Johnson – Legal Examiner

**PREHEARING CONFERENCE:** March 11, 2015  
**HEARING DATE:** June 15, 2015  
**RECORD CLOSED:** July 27, 2015  
**SUBMISSION DATE:** August 12, 2015  
**CONFERENCE DATE:** August 25, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

George Neale  
Rick Johnston, P.E.  
Greg Slack

Carrizo (Eagle Ford), LLC

### **EXAMINERS' REPORT AND RECOMMENDATION**

#### **STATEMENT OF THE CASE**

Carrizo (Eagle Ford), LLC ("CEF") seeks exception to Statewide Rule 32 [16 Tex. Admin. Code §3.32] to flare casing-head gas from forty-two (42) central production facilities ("CPFs") located within the subject fields' geographical extents.

On March 11, 2015, a Prehearing Conference was held to provide Carrizo the opportunity to the following: (1) to clarify its relief sought in the captioned docket prior to issuance of a Notice of Hearing; (2) to consider whether to consolidate the captioned docket with

Oil & Gas Docket No. 01-0292785, due to the uncertainty of whether the two named dockets had an overlapping nature; (3) to confirm the list of names that compose the Notice of Hearing's Service List; and (4) to choose a hearing date to consider the subject application.

At the March 11<sup>th</sup> Prehearing Conference, representatives on behalf of Carrizo and Commission staff confirmed that a settlement had been executed with the Commission's Enforcement Division, with regard to Oil & Gas Docket No. 01-0292785. Therefore, on March 11, 2015, the hearing request for Oil & Gas Docket No. 01-0292785 was effectively withdrawn.

On May 26, 2015, a Notice of Hearing was issued to the Service List provided by Carrizo. At the June 15<sup>th</sup> hearing, however, Carrizo's counsel identified that CL & F Operating, LLC did not receive notice of the subject application. Nonetheless, Carrizo's counsel submitted a copy of the waiver signed by Mr. Mark Stover, Sr. Vice President of CL & F Operating, LLC, waiving protest to the subject application.<sup>1</sup>

On July 27, 2015, Carrizo submitted a complimentary draft Examiners' Report and Recommendation and Final Order for the subject application, effectually closing the record in the immediate case.

After a review of Carrizo's July 27<sup>th</sup> correspondence, the Examiners issued a letter to Carrizo on July 29<sup>th</sup> seeking further clarification of its relief sought in the immediate case. At the June 15<sup>th</sup> hearing, the Examiners understood Carrizo's request in the immediate case to include a retroactive exception for only one of the 42 flare points that comprise the subject application (*i.e.*, the Arnold A Unit (15942) Lease, Well Nos. 10H and 11H).<sup>2</sup> Carrizo's July 27<sup>th</sup> correspondence, however, indicated that Carrizo sought retroactive flaring authority in the subject application for all 42 flare points.

In response to Carrizo's July 27<sup>th</sup> letter, the Examiners' July 29<sup>th</sup> letter informed Carrizo that the Examiners will recommend approval of the subject with exception.<sup>3</sup> On August 7, 2015, Carrizo submitted its response to the July 29<sup>th</sup> Examiner letter, and indicated that it does not consider the Examiners' recommendation as adverse.

In the end, the captioned docket was unprotested and Carrizo was the only party to appear at the hearing held on June 15, 2015. The Examiners recommend that the captioned docket be approved, as modified by the Examiners.

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<sup>1</sup> Carrizo Exh. No. 1.

<sup>2</sup> See O&G Docket No. 01-0292785 - To Consider Whether to Enter a Commission Order Assessing Administrative Penalties and/or Requiring Compliance with Commission Regulations on the Carrizo (Eagle Ford), LLC, Arnold A Unit (15942) Lease, Well Nos. 10H and 11H, Eagleville (Eagle Ford-1) Field, La Salle County, Texas. Carrizo executed a settlement agreement, which included penalty action, with Commission staff with regard to the Arnold A Unit, Well Nos. 10H and 11H. Thus, the Examiners opined that a reasonable action existed to recommend retroactive flare exception for the flare point utilized by the Arnold A Unit, Well Nos. 10H and 11H in the instant case (*i.e.*, the Arnold 10 CPF).

<sup>3</sup> The Examiners' recommendation in the instant case is to grant a retroactive flare exception only for the flare point utilized by the Arnold A Unit (15942), and that Carrizo's remaining 41 flare points be granted a flare exception from the date Carrizo submitted its hearing request for the immediate case (*i.e.*, January 23, 2015).

### **DISCUSSION OF THE EVIDENCE**

Mssrs. Rick Johnston and Greg Slack testified on behalf of Carrizo. Mr. Johnston is a consulting petroleum engineer with Johnston & Cloud, Inc. of Austin, Texas, and is a licensed Professional Engineer in Texas. Mr. Slack is an employee of Carrizo and serves as a Production Manager for its Eagleford Operations in south Texas.

#### **Applicable Rules**

SWR 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Titled "Exceptions," SWR 32(h) states:

Requests for exceptions for more than 180-days and for volumes greater than 50 mcf of hydrocarbon gas per day shall be granted only in a final order signed by the commission.

In order to determine the necessity for an exception to flare casing-head gas, SWR 32(f)(2) states:

[...] Necessity for the release includes, but is not limited to, the following situations...

In the subject application, Carrizo argues that the necessity to flare casing-head is needed due to several non-routine happenings that occur in daily operation as, as well as inadequate availability of gas sales pipeline capacity.

#### **Carrizo's Argument**

At the time of the hearing, Carrizo had 42 CPFs located within the geographical confinements of the subject fields in La Salle, Atascosa, Frio, and McMullen Counties, Texas. Although each of the 42 CPFs are connected to gas sales pipelines, Carrizo has found that occasional flaring is necessary due to equipment failure and incompatible pipeline pressures.

Carrizo seeks a two-year authority from June 15, 2015, to flare casing-head gas from 42 flare points. In other words, there is one flare point for each of the 42 CPFs previously mentioned. Carrizo also requests that the exception period retroactively cover the time from the completion of the enforcement investigation, August 1, 2014, until the hearing date, June 15, 2015. Because Carrizo requested a hearing date upon notice of the enforcement action tied to the captioned docket (*i.e.*, O&G 01-0292785), the Examiners believe this to be a reasonable request.

Carrizo seeks a range of casing-head gas volumes that span from 100,000 cubic feet of gas per day ("100 MCFGD") to 6,650 MCFGD. In each case, the potential need to flare gas is for non-routine reasons, which include: (1) high gas pipeline pressure, abnormal gas pipeline suction pressures, high liquid scrubber levels, improper coolant levels, and electrical control system failure.

Carrizo is selling the majority of the casing-head gas that it produces from the mentioned 42 CPFs, and it has taken steps toward mitigating the need to flare casing-head gas. However, it believes that the requested relief in the captioned docket is necessary to prevent the shut-in of roughly 200 production wells. Therefore, Carrizo requests authority to flare casing-head gas from the 42 flare points, up to the maximum daily volumes listed in Table 1 below.

Table 1: Maximum Daily Casinghead Gas Volumes Requested to be Flared.<sup>4</sup>

Flare Point	No. of Wells	CPF Name (Flare Point Name)	Comm Permit OR Lease ID	Max Daily MCF Flared
1	3	ARNOLD 10 CPF	5472	3,000
2	6	BEAR CLAUSE CPF	5645	5,400
3	7	BOOTH MIDDLETON CPF	5731	5,600
4	14	BROWN TRUST CPF	15756	5,500
5	1	C 4 RANCH CPF	16002	100
6	2	CADENHEAD CPF	17343	1,000
7	4	CRAWFORD CPF	5602	2,500
8	2	FROST BANK CPF	17890	1,000
9	9	GARDENDALE CPF	5543	4,500
10	2	GEBERT MUMME CPF	16818	1,000
11	2	GIERISCH CPF	17545	3,000
12	4	GILBERT LUNA CPF	5688	5,500
13	3	GSH CPF	15642	600
14	3	HARDIN POENISCH CPF	5401	2,100
15	3	IRVIN 10 CPF	17695	3,000
16	7	IRVIN 100 CPF	5517	1,800
17	18	IRVIN 90 CPF	5719	5,400
18	9	JASIK CPF	16622	5,000
19	2	JENNINGS CPF	15873	200
20	4	KOKEL CPF	5823	900
21	3	LAZY SEVEN CPF	5501	600
22	1	LONE OAK CPF	15989	250
23	1	LOS ANGELES CPF	15990	250
24	8	MILLER CPF	5700	4,000
25	5	MUMME 10 CPF	5601	1,500
26	1	MUMME 20 CPF	262592	200
27	5	MUMME 30 CPF	5589	1,500
28	3	MUMME 40 CPF	15385	450
29	3	MUMME 60 CPF	5654	750
30	19	PENA CPF	5835	6,650
31	8	PERRIGO WITHERSPOON CPF	5540	4,000
32	7	PFLUGER CPF	15547	2,100

<sup>4</sup> Carrizo Exh. No. 6.



33	5	PIERCE 10 CPF	260653; 271314; 271315; 274947; 274636	2,500
34	2	PIERCE 20 CPF	265873; 265876	1,000
35	7	RAYES CPF	5400	1,050
36	2	SACHS TRUST CPF	5659	1,500
37	2	SEAL LEHMAN CPF	5646	1,000
38	2	SIEGELE CPF	17266	1,000
39	13	TAG CPF	5402	3,270
40	4	VENADO BROS CPF	5822	4,000
41	2	VESTER CPF	5588	500
42	16	WINFIELD CPF	5516	4,800

### **FINDINGS OF FACT**

1. Carrizo (Eagle Ford), LLC ("CEF") requests an exception to flare casing-head gas from 42 Central Production Facilities ("CPF's"), which handle production from roughly 200 production wells, completed in the Eagleville (Eagle Ford-1) Field, Hawkville (Eagleford Shale) Field, and the Indio Tanks (Pearsall) Field, pursuant to 16 Tex. Admin. Code §3.32.
2. Proper notice of this hearing was given to offset operators of the flare points at least ten days prior to the date of the June 15, 2015, hearing. There were no protests to the subject application.
3. One adjacent operator, CL & F Operating, LLC, did not receive notice of the subject application. On June 15, 2015, Carrizo secured a waiver of protest from CL & F Operating, LLC, and presented a copy of said waiver as Carrizo Exhibit No. 1.
4. The production wells in the subject application are completed in the Eagleville (Eagle Ford-1) Field, Hawkville (Eagleford Shale) Field, and Indio Tanks (Pearsall) Field in La Salle, Atascosa, Frio and McMullen Counties, Texas.
5. Commission Statewide Rule 32(h) stipulates that exceptions beyond 180 days shall be granted only in a final order signed by the Commission.
6. The 42 CPFs subject to the immediate case are connected to a gas gathering/sales pipeline system.
7. Carrizo seeks exception to Statewide Rule 32 to flare up to the maximum daily volumes for each of the 42 flare points listed in Table 1, pursuant to 16 Tex. Admin. Code §3.32.
8. Carrizo seeks to flare casing-head gas from the 42 flare points listed in Table 1, due to intermittent mechanical interruptions experienced in daily operations.

9. Carrizo's need to flare gas in the subject application is due to the inadequate capacity available in gas sales pipelines, and for non-routine reasons which include: incompatible pipeline pressures, abnormal gas pipeline suction pressures, high liquid scrubber levels, improper coolant levels, and electrical control system failure.
10. Approval of the subject application is reasonable and appropriate, pursuant to 16 Tex. Admin. Code §3.32(h).

### **CONCLUSIONS OF LAW**

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas – Tex. Nat. Res. Code §81.051.
2. Legally sufficient notice has been provided to all affected persons.
3. Applicant's requested authority to flare casinghead gas satisfies the requirements of 16 Tex. Admin. Code §3.32.

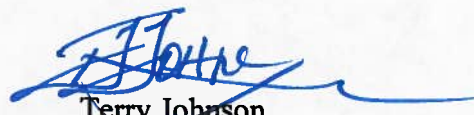
### **EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant exception to Statewide Rule 32 for the Arnold 10 CPF from August 1, 2014, through August 1, 2016, and that the remaining 41 flare points listed in Table 1, be granted exception to Statewide Rule 32 from January 23, 2015, through January 23, 2017.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Terry Johnson  
Legal Examiner